Marketing Margins and Marketing Costs

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Maize prices vs import parity, Lilongwe, Malawi

USD per metric ton

Lilongwe retail
cif Lilongwe from South Africa
Maize prices vs. import parity, Blantyre, Malawi

USD per metric ton

Blantyre retail

cif Blantyre from South Africa
Maize prices vs. import parity, Nairobi, Kenya
Maize prices, SAFEX vs. US Gulf

SAFEX, white maize  
fob US gulf yellow maize

nominal USD per metric ton

Wholesale maize grain and maize meal prices, Zambia

Breakfast meal, Lusaka
Breakfast meal, Ndola
wholesale maize grain, Lusaka
wholesale maize grain, Choma
Motivation

- Why bother studying the relationship between food prices in one market and another?
- Why bother studying the relationship between food prices at one level (e.g., farm-gate) and food prices at another level (e.g., retail)?
Definitions

What are:

- Spatial marketing margins
- Spatial marketing costs
- Vertical marketing margins
- Vertical marketing costs
Luchenza retail price and farmer-reported prices received in remote villages in Mulanje District, 2009/10 marketing year
Wholesale maize grain and breakfast meal prices, Zambia

![Graph showing wholesale maize grain and breakfast meal prices in Zambia from 1996 to 2008.](image-url)
Wholesale maize grain and breakfast meal prices, Zambia

![Graph showing wholesale maize grain and breakfast meal prices from 1996 to 2008 in Lusaka and Ndola. The graph compares the prices of breakfast meal and wholesale grain in Lusaka and Choma. The prices are measured in kwacha per kg (constant 2007=100).]
Determinants of marketing margins

- Spatial margins:
  - 1
  - 2
  - 3

- Vertical margins:
  - 1
  - 2
  - 3
Why might margins ≠ costs?

- Spatial margins:
  - 1
  - 2
  - 3

- Vertical margins:
  - 1
  - 2
  - 3
What does it mean if:

- Spatial margins < transfer costs:
  - 1
  - 2
  - 3

- Spatial margins > transfer costs
  - 1
  - 2
  - 3
Maize prices vs import parity, Nairobi, Kenya

![Graph showing maize prices vs import parity]

- **USD per metric ton**
- **X-axis:** 2006:01 to 2009:01
- **Y-axis:** Import parity (tariff removed January 28, 2009)
- **Nairobi wholesale**

Note: The graph illustrates the comparison between maize prices and import parity in Nairobi, Kenya, highlighting the impact of tariff removal on prices.
February 2009, Kenya – tariff removed

- USD per ton
- tons imported

Graph showing:
- imports thru Mombasa
- cif Nairobi w/o tariff
- cif Nairobi w/ tariff
- wholesale markets, Nairobi
August 2009, Kenya

The graph shows the trend of imports to Mombasa, CIF Nairobi with and without tariff, and wholesale market prices in Nairobi over the period from January 2007 to July 2009. The data is represented in USD per metric ton and metric tons imported.

Legend:
- Gray bars: Imports to Mombasa
- Green line: CIF Nairobi w/o tariff
- Red line: CIF Nairobi with tariff
- Black line: Wholesale markets, Nairobi
Exercise

1. Examine maize prices at
   a. SAFEX
   b. Blantyre Malawi
   c. transfer costs between them

2. Compute the spatial price spread

3. Compute import parity prices at Blantyre

4. On the basis of spatial margins vs. transfer costs, predict the months in which you would expect to see imports occurring

5. Compare this with actual trade flows

6. Explain the reasons for what you see
thank you